	ADJUDICATION – FILE NOTE		
Date:	19 November 2007	**Participants:**	*Babcock & Brown Infrastructure:* Greg Smith
ACCC Officers:	David Hatfield Hew Atkin	**Time:**	2:00pm
Subject:	**Dalrymple Bay Coal Terminal – authorisations A91060-A91062**		

On 19 November 2007, ACCC staff met with Greg Smith (Babcock & Brown Infrastructure) to discuss Dalrymple Bay Coal Terminal Pty Ltd's (**DBCTPL**) application for authorisation of their queue management system (**QMS**).

ACCC staff explained that no concerns had been raised in submissions responding to DBCTPL's application, but the ACCC was interested to clarify some issues; particularly the nature and extent of any impact the QMS has had, and is likely to have, on:

- the volume of coal exports through the Terminal
- appropriate investment in coal chain capacity (including investment in above rail infrastructure) and
- the likelihood of competitive entry in the provision of above rail services.

Babcock and Brown Infrastructure (**BBI**) provided the following comments:

- The QMS was developed by the Terminal Operator at the behest of the DBCT Users after the collapse of a DBCT yard reclaimer in February 2004. BBI has since replaced that machine and restored Terminal capacity although further system deficiencies have since become apparent upstream of the Terminal resulting in the same demurrage pressure. As overall System Capacity is less than Terminal capacity, the DBCT Users, through the Terminal Operator, have requested an extension of the QMS to control demurrage exposure.
- BBI are committed to ongoing investments at the Dalrymple Bay Coal Terminal.
- The DBCT Phase One expansion is on track for completion in early 2008 and is expected to increase the capacity of the Terminal to 68mtpa. The Phase Two/Three expansions (due for completion end 2008) are expected to further increase Terminal capacity to 85mtpa.
- BBI are currently undertaking a feasibility study for expansion above 85mtpa however, such expansion would only go ahead if there was sufficient underlying demand and appropriate coordination with other Goonyella coal chain stakeholders to ensure system capacity is aligned.

- A move away from even railings to support the Terminal operating mode has created the need for further investment in rolling stock and track infrastructure. As a result, and following the completion of the Phase Two/Three expansions, port capacity is expected to exceed rail capacity for approximately 12 months.
- The Goonyella coal chain rail capacity is currently split between Dalrymple Bay and Hay Point (BMA) at a ratio of about 60/40 (17 trains / 13 trains).
- There have been media reports that a second rail operator is preparing to provide rail services to coal operators in Queensland. If this is the case and it relates to the Goonyella system, then the entry of a second rail operator may initially have the effect of reducing System Capacity.

  BBI raised the possibility of giving Terminals the responsibility for negotiating rail paths rather than rail service providers – who may not have commercial incentives to swap/sell paths in the event of being unable to use them.
- New sale contracts will commence from April 2008 and we expect these to reflect higher prices for coking coal. Higher coal prices can create an incentive for buyers to have vessels in the queue prior to the price change becoming effective.
- The QMS has an important role to play in managing the vessel queue and minimising demurrage costs for Australian coal producers.